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Agenda Item 6c

March 14, 2011

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. **SUBJECT:** Investment Office Roadmap – Cost Effectiveness and Financial Overview
- II. **PROGRAM:** Total Fund
- III. **RECOMMENDATION:** Information
- IV. **ANALYSIS:**

The Investment Office Senior Leadership Team met several times to refine the current Investment Office Roadmap. Based on our vision, the Senior Leadership Team developed our Roadmap strategic priorities for 2011-12 which include: (1) Investment Performance, (2) Capital Allocation, (3) Risk Management, (4) Organization Systems and Controls, (5) Cost Effectiveness, and (6) Talent Management.

Cost Effectiveness has been established as a top priority for the upcoming fiscal year and aims to improve expense tracking and reporting systems, and improve cost management. Our Cost Effectiveness vision includes:

1. More sophisticated financial management and governance structure that ensures pervasive cost awareness at asset class and organization level
2. Better tracking and reporting systems and improved data management
3. Coordinated budget and resource allocation across INVO, within the context of INVO's overall priorities
4. Greater flexibility to manage resources in the best interest of the fund and improved decision making regarding use of internal vs. external resources
5. Out performance of relevant peers per unit of value

Attachment 1 includes an overview of the Cost Effectiveness initiatives for fiscal year 2011-12, education on various components of Investment Office expenses, and an initial view of how we compare to key industry benchmarks.

V. STRATEGIC PLAN:

This item supports the following Strategic Goals:

- Goal I: exercise global leadership to ensure the sustainability of CalPERS pension and health benefit systems.
- Goal IX: achieve long term, sustainable, risk-adjusted returns.

VI. RESULTS/COSTS:

There are no costs associated with the production of this item.

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